USDA

DATE: December 12, 2013

MEMO CODE: SP 13 -2014

SUBJECT: School Food Service Account Revenue from the Sale of Non-Program Foods

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

School Program regulations at 7 CFR 210.14 (f) require all revenue from the sale of non-program foods to accrue to the nonprofit school food service account. *Non-program food* is defined as food sold in a school at any time or location on the school campus (other than reimbursable meals) purchased using funds from the non-profit school food service account. Please note that this is different from *competitive food* which is defined as all food (other than reimbursable meals) sold to students during the school day. This memorandum provides clarification on the requirements for the accrual of revenue from the sale of non-program food.

Previously, regulations allowed the sale of non-program foods in the food service area if the revenue from these sales accrued to the benefit of the nonprofit school food service account *or* school *or* a student organization approved by the school. Now, due to the changes required by Section 206 of the Healthy, Hunger-Free Kids Act, all revenue from the sale of non-program foods sold in schools at any time or location on the school campus must accrue only to the school food service account and is no longer allowed to benefit student organizations or school programs.

Though "revenue sharing" is no longer allowed, there are ways that school food service can continue to partner with school programs and student organizations. It is still possible for the school food service to purchase goods for other entities officially sanctioned by the school through existing food service contracts, as long as the purchase cost is paid in full by the other entity, including any labor costs associated with purchasing these goods. If the school food service is used to provide goods and/or services for entities officially sanctioned by the school, the school food service must be fully reimbursed for any and all costs due to these arrangements. The additional purchase also must not create a material change in the school food authority's (SFA) contracts.

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In arrangements where the school food service labor is used to prepare goods for an outside entity (e.g., catering), the school food service must ensure that all costs, including labor and any other costs incurred, are covered by the entity which is being served by the school food service operations. Since estimating these costs may be difficult, school food service should be cautious that food service funds are not lost when entering into these types of arrangements.

When entering into arrangements with outside entities, the school food service is best served having an agreement in place regarding costs and all other terms and conditions, including a stipulation that all risk relating to revenue losses must be covered by the outside entity and not the school food service.

A common example of how school approved organizations can still work with school food service includes a sports team wishing to hold a fundraiser during a sporting event. The sports team could pay the school food service for the full cost of food purchased through an existing food service contract and any labor it incurs in ordering the extra food (and any other role the school food service may play, e.g., preparing food). The sports team can then sell the food at the sporting event and keep any revenue from those sales.

State agencies are reminded to distribute this memorandum to program operators immediately. SFAs should contact their State agencies for additional information. State agencies may direct any questions concerning this guidance to the appropriate Food and Nutrition Service Regional Office.

Original Signed

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